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Nigeria

Oilseeds and Products

Annual

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Report Highlights:

Major soap manufacturers and consumers in Nigeria are coping with scarcity and high cost vegetable oil. Domestic demand continues to outstrip supplies by approximately 300,000 MT. Legal imports are constrained by GON's ban on bulk imports of vegetable oil and increased duties on packaged and branded oil. Despite a ban on bulk imports, an estimated 200,000 MT of vegetable oil, largely palm olein was imported undocumented in calendar year 2002.

Includes PSD changes: Yes

Includes Trade Matrix: No

Annual Report

Lagos [NI1], NI

Executive Summary

The bulk of Nigeria's vegetable oil requirement (about 72 percent) is met from the processing of oil palm into red palm oil and into palm olein and crushing of palm kernels into palm kernel oil. Other oilseeds produced in the country consist of peanut, cottonseed and soybeans. Together, these other oilseeds account for approximately 11 percent of national vegetable oil consumption. The remaining 17 percent of Nigeria's total vegetable oil demand is met by imports.

Nigeria's overall domestic vegetable oil production in 2002 is estimated at 1.3 million MT (see table), while consumption demand is estimated at 1.6 million MT, leaving a supply deficit of 300,000 MT. Available demographic and economic indicators suggest that demand for vegetable oil is growing at approximately 5 percent annually while growth in domestic output is estimated at 2.9 percent. Industry sources indicate that unless definite steps are taken to increase production, GON's goal of attaining self-sufficiency in oil palm production within five years will remain a mirage. Despite GON's import ban on bulk vegetable oil imposed since 2001, trade sources estimate undocumented imports in 2002 at

200,000 MT. Another 80,000 MT of branded vegetable oil was imported legally into the country during the year.

At present, Nigeria is experiencing supply shortages of all grades of vegetable oil, especially red palm oil. Local market prices are currently more than double international price levels. UNILEVER, the leading producer of soaps and detergent in the country recently announced plans to relocate its soap making plant in Nigeria to Ghana, citing scarcity of palm oil from local sources and GON's restrictive import policy.

Nigeria's Vegetable oil output by crop

	2001	2000	1999
Production (000 MT)			
Palm oil	770	740	720
Palm kernel oil	200	192	190
Peanuts	314	332	334
Soybean oil	42	40	35
Cottonseed oil	18	14	15
Total	1,344	1,318	1,294

Source: Industry Estimates

Exchange rates: US\$1 = 127.5 naira

Production

Nigeria's palm oil production in 2003 is forecast at 780,000 MT, up from the revised 770,000 MT last year. The larger production figure is based upon our anticipation of improved rainfall and improved yields. Output in 2003 will also benefit from the prevailing attractive prices. Despite a constraint on funds available to producers, most palm estates visited during our recent field survey report some degree of field expansion and/or rehabilitation. State governments in the oil palm producing zones are assisting small-scale farmers with subsidized seedlings and land preparation. Smallholder farmers are expected to replace about three percent of their area with improved varieties in 2003.

Nigeria's oil palm output is derived from three main sources; viz. 2.25 million hectares of wild palm groves; 400,000 hectares of small-scale holdings and 90,000 hectares (50,000 ha actually maintained) from large estates.

- ' Groves--More than 85 percent of Nigeria's palm oil production is derived from unorganized wild groves. The groves comprise of old and very tall unproductive, mostly unimproved varieties. Supply from this sector is constrained by less than optimal exploitation due to labor-related harvesting problems.
- ' Nucleus estates- mostly state-owned large estates, accounts for less than 10 percent of national output. Output from this sector declined in 2002 due to operational inefficiencies, mismanagement, and undue government interference in the management of these estates. Post recent visits to some of these estates revealed many have closed operations, while those operating experienced lower yield levels. Yield on the estates declined from an average of 12 MT of fresh fruit bunches (FFB) per hectare in 2001 to 9.5 MT in 2002 due to a spillover effect of poor rainfall distribution in the preceding year. Under ideal cultural practices, Nigerian estates can achieve 16 MT of fresh fruit bunches per hectare.
- ' Small holdings--Smallholder palm production is on the increase thanks to support from the government's National Accelerated Industrial Cash Crop Program. Under this program designed to encourage increased planting/replanting of old palm fields with improved varieties, the government distributes palm seedlings to farmers at subsidized rates.

Overall, Nigeria's upstream oil palm production is expanding at a relatively slow pace and output continues to increasingly lag behind national consumption requirements. Investment in the sector is constrained by the lack of long-term credit, lands acquisition problems and the relatively long gestation period (four years) for palms which is unattractive to most local investors. It costs approximately 80,000 naira to prepare and plant one hectare.

Recently, the GON established a committee to explore the possibilities of ensuring that Nigeria attains self-sufficiency in vegetable oil production within the next five years. Highlights of proposals put forward by the committee include: continued protection of local producers against imports, land reforms to allow ownership of large contiguous land for large-scale plantations and a programmed yearly increase in new planting.

PSD Table: Palm Oil

PSD Table						
Country	Nigeria					
Commodity	Oil, Palm				(1000 HA)(1000 TREES)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2001		10/2002		10/2003
Area Planted	2700	2700	2710	2710	0	2710
Area Harvested	2620	2620	2630	2630	0	2632
Trees	280000	280000	280000	280000	0	280100
Beginning Stocks	30	30	20	20	20	20
Production	760	760	780	770	0	780
MY Imports	270	270	280	280	0	280
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1060	1060	1080	1070	20	1080
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	200	200	205	200	0	200
Food Use Dom. Consump.	840	840	845	840	0	850
Feed Waste Consumption	0	0	10	10	0	10
TOTAL Dom. Consumption	1040	1040	1060	1050	0	1060
Ending Stocks	20	20	20	20	0	20
TOTAL DISTRIBUTION	1060	1060	1080	1070	0	1080
Calendar Year Imports	270	270	280	280	0	280
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Sources: Industry and Trade Estimates

Consumption

The bulk of Nigeria's palm oil output-- both crude (red) and refined (palm olein) is for direct human use and it is a major component of the diet of most Nigerians. In wild groves, harvesting is undertaken primarily for immediate cooking use in rural areas and secondarily for cash. Additionally, more than 70 percent of Nigeria's palm kernel oil output is refined for household use.

Industrial consumption of palm oil and palm kernel oil in 2002 is estimated at 200,000 MT and 48,000 MT respectively. They are utilized by the soap and detergent industries and by manufacturers of bakers fat, margarine etc. Crude palm oil and palm kernel oil available from local sources cannot satisfy 50 percent of the raw material need of

the industry. On average, palm oil prices increased by 30 percent in 2002 over a year earlier, reflecting the tight supply situation. At present, the average market price of locally produced palm oil is estimated at \$710, which is almost double prevailing international price.

Price Table: Palm oil

Prices Table			
Country	Nigeria		
Commodity	Oil, Palm		
Prices in	Naira	per uom	MT
Year	2001	2002	% Change
Jan	54,400	79,200	45.59%
Feb	60,500	79,000	30.58%
Mar	60,400	80,000	32.45%
Apr	63,600	80,500	26.57%
May	63,000	78,000	23.81%
Jun	60,000	74,250	23.75%
Jul	58,000	71,500	23.28%
Aug	55,000	82,500	50.00%
Sep	58,600	83,200	41.98%
Oct	63,000	80,000	26.98%
Nov	65,000	85,000	30.77%
Dec	68,000	90,000	32.35%
Exchange Rate	127.5/1	Local currency/US \$	

Sources: Industry Estimates

Processing

Palm Fruit

The combined installed processing capacity of oil palm mills in Nigeria is estimated at 6 million MT of FFB annually which is adequate to process all FFB produced in the country. Most mills are old and subject to frequent breakdowns. They are unevenly distributed in the palm belt. Harvested fruits often are left unprocessed in the fields and are allowed to deteriorate, which results in the production of oil with high free fatty acids (FFA). Most mills are devoted to processing fruit produced by organized estates. Wild production generally is processed on-farm by crude, cottage-style industry which exhibits low oil extraction efficiency.

Palm Kernel/Oil Refining

Excess capacity exists in downstream palm kernel crushing and oil refining. Currently, the industry's installed palm kernel crushing capacity is in excess of 600,000 MT of kernel per year. This far exceeds total domestic palm kernel production which is forecast at 360,000 MT in 2003. Competition among palm kernel processors is high, with average industrial capacity utilization falling below 60 percent in 2002. Some crushers imported small quantity of palm kernels from neighboring West African countries in 2002 but discontinued because supply could not be sustained. Several vegetable oil producing companies, which normally dedicate their refining capacities to processing palm kernel oil, have diversified their operations to better utilize their installed capacity, by refining crude red palm oil into palm olein. Currently most factories converting crude palm oil and palm kernel oil to vegetable oil are operating below 35 percent of their installed capacities due to scarcity and high cost of crude palm oil and palm kernel oil. These refineries previously supported the GON's ban on bulk imports of all vegetable oil but are now putting pressure on the government to grant them a duty concession to import crude palm oil to boost their operations.

Trade

Vegetable oil imports, largely through undocumented channels have steadily increased since the ban on imports was lifted in 1999. Based on information obtained from industry sources, Post forecast of palm olein imports in 2003 at 280,000 MT, same as last year. Imported bulk palm olein enters Nigeria from neighboring West African countries under ECOWAS trade liberalization schemes. Other major suppliers are Malaysia and Indonesia. Very small quantities of consumer-packaged soybean, corn, and sunflower oil also are imported. A trade team from the Malaysian Palm Board visited Nigeria recently to construct tanks for their raw palm oil to be refined in or used as raw material in country. Local processors oppose the move, indicating that their high production cost structure limits their ability to compete with lower-priced imports.

Marketing

Sustained high household demand coupled with a government import ban on bulk vegetable oil have resulted in a shortage of palm oil for soap manufacture at the present time. Scarcity and high cost of palm oil create a rapidly expanding marketing opportunities for U.S. exporters of tallow. The United States is the leading exporter of tallow to Nigeria, accounting for more than 70 percent of all exports to Nigeria since 1999. Exports of tallow from the United States for the period 1999 - 2002 has varied between 25,500 MT-30,500 MT per annum. Local soap manufacturers indicate that they now rely more heavily on imported tallow and less on palm oil to sustain their soap making operations. The high FFA level of palm oil coupled with a very deep red color attracts additional bleaching costs of about \$20 per MT. Also, soap manufacturers indicated preference for tallow because it improves the foaming ability of soaps.

PSD Table: Palm Kernel

PSD Table						
Country	Nigeria					
Commodity	Oilseed, Palm Kernel				(1000 HA)(1000 TREES)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2001		10/2002		10/2003
Area Planted	2700	2700	2710	2710	0	2710
Area Harvested	2620	2620	2630	2630	0	2632
Trees	280000	280000	281000	281000	0	281100
Beginning Stocks	10	10	10	10	10	10
Production	350	350	360	350	0	360
MY Imports	5	5	10	10	0	10
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	365	365	380	370	10	380
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	340	340	355	345	0	350
Food Use Dom. Consump.	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cn.	15	15	15	15	0	20
TOTAL Dom. Consumption	355	355	370	360	0	370
Ending Stocks	10	10	10	10	0	10
TOTAL DISTRIBUTION	365	365	380	370	0	380
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Sources: Industry and Trade Estimates

PSD Table: Palm Kernel Oil

PSD Table						
Country	Nigeria					
Commodity	Oil, Palm Kernel				(1000 MT)(PERCENT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2001		10/2002		10/2003
Crush	340	340	355	345	0	350
Extr. Rate, 999.9999	0.426471	0.426471	0.425352	0.428986	ERR	0.425714
Beginning Stocks	10	10	10	10	10	10
Production	145	145	151	148	0	149
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	155	155	161	158	10	159
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	45	45	48	48	0	48
Food Use Dom. Consump.	100	100	103	100	0	101
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	145	145	151	148	0	149
Ending Stocks	10	10	10	10	0	10
TOTAL DISTRIBUTION	155	155	161	158	0	159
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Sources: Industry and Trade Estimates

PSD Table: Palm Kernel Meal

PSD Table						
Country	Nigeria					
Commodity	Meal, Palm Kernel				(1000 MT)(PERCENT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2001		10/2002		10/2003
Crush	340	340	355	345	0	350
Extr. Rate, 999.9999	0.552941	0.552941	0.552113	0.553623	ERR	0.554286
Beginning Stocks	10	10	10	10	6	10
Production	188	188	196	191	0	194
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	198	198	206	201	6	204
MY Exports	170	170	180	171	0	173
MY Exp. to the EC	160	160	180	171	0	173
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	18	18	20	20	0	21
TOTAL Dom. Consumption	18	18	20	20	0	21
Ending Stocks	10	10	6	10	0	10
TOTAL DISTRIBUTION	198	198	206	201	0	204
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Sources: Industry and Trade Estimates

Price Table: Palm Kernel Oil

Prices Table			
Country	Nigeria		
Commodity	Oil, Palm Kernel		
Prices in	Naira	per uom	MT
Year	2001	2002	% Change
Jan	65,300	80,800	23.74%
Feb	66,300	79,400	19.76%
Mar	65,000	81,000	24.62%
Apr	65,800	82,000	24.62%
May	66,000	72,300	9.55%
Jun	68,000	70,000	2.94%
Jul	71,000	77,000	8.45%
Aug	75,000	85,500	14.00%
Sep	75,300	86,700	15.14%
Oct	75,600	87,000	15.08%
Nov	74,000	90,000	21.62%
Dec	76,000	95,700	25.92%
Exchange Rate	127.5/1	Local currency/US \$	

Sources: Industry Estimates